Project Budget Instructions

These spreadsheet formats are for documenting the projected costs of a project and for high-level cost tracking.

Budgets are created in the planning phase of a project to estimate and communicate the costs of developing the requested features and requirements, and to enable cost-scope-time tradeoffs. The budget document should communicate the major components of the project's cost and how they are distributed across the major work breakdown of the project.

Some organizations will also want to do high-level cost tracking to help spot variances or possible trouble spots in the project. These formats are chosen to enable that kind of tracking without too much overhead, for example, by using estimates based on reported time or using rounded numbers supplied by participating project team members. These spreadsheets are not for the kind of detailed tracking required if you are billing by the hour, for instance. Rather, they are for project managers and stakeholders reviewing progress on the project and assessing where it stands overall.

1. Use one of the two budget format sheets to create a high-level budget for your project. Guidelines:

    - ***Create draft*** budgets during the investigation phase while the team is investigating possible tradeoffs between scope, costs, and time before committing to what the project will accomplish. By the end of the investigation/planning phase, the budget will be considered a solid estimate.

    - ***Use at least the higher levels of your*** project's ***work breakdown in Column A.*** This will ensure that all the work of the project is considered, as well as costs such as travel, materials, training, that would be incurred as part of each element of work. Typical items that can be overlooked include license fees for required project tools, quality assurance hours for planning and debugging, documentation hours, material costs and planning time.

    - ***Keep in mind that it can also be appropriate to collapse cost categories.*** For instance, on some projects labor costs may be combined into a single category and the travel and training expenses may be classified as other/miscellaneous costs. You might prefer to just use totals and run the projects phases, tasks or WBS down Column A.

2. **If desired, select an appropriate cost-tracking format and record the final, approved budget figures.** Then use that sheet to record and report budget adjustments, costs to date, and anticipated costs to complete. The spreadsheet will calculate variance based on the values you enter.

3. The **High-Level format** applies broad tracking to the same categories listed in the budget format sheets.

4. The **Detailed format** shows one way to break down those categorical costs by task or system. This could get lengthy very quickly, but could be condensed by using only those categories that apply to a given phase/subsystem.

5. **Detailed (Version 2)** demonstrates yet another way of tracking those costs, but it rapidly becomes unwieldy if many categories or phases/subsystems are tracked.

A note of caution is in order here: do not get mired in the mud. Carefully consider the level of tracking you really need in order to guarantee your project performance and spot trouble signs. It can be very easy to get so caught up in the details that team members (and PMs) spend more time tracking tasks and costs than they do getting the actual work done. If you are going to collect meaningful actuals, make sure that the process is as painless as possible and no more accurate than it absolutely has to be to fulfill the requirements. This is one case where "good enough" IS good enough.

If you truly do need highly detailed time/cost tracking -- if you are billing by the hour, for instance -- there are several proprietary software tools on the market. Many are very reasonably priced and fairly simple to use. The biggest challenge in that situation is in getting people to actually enter their time if the culture does not already exist. In order to overcome that obstacle, make sure everyone understands why it is important and what the critical metrics are, and make the process and required documentation incredibly easy and fast.

Naturally, if your organization is looking to implement some form of Earned Value Management then some level of detailed actual cost tracking would be required. If it is more important just to get the work done, then it is up to you to decide what level of tracking is really needed.

Creating the Project Budget: Typical Expense Categories

Project Staffing Costs: Salary and non-salary labor for staff resources.

Salary Labor

- Often estimated using a standard or “rule of thumb” such as $10,000 per person-month in the U.S., includes pay, taxes, overhead, etc.

- Include estimates for all cross-functional resources that will be involved during the project.

Non-Salary Labor

- Consultants

- Contractors

Non-Staff Costs:

- **Capital Equipment:** The cost of equipment you need to purchase.
- **Non-Recurring Development Charges:** Fees paid for outside development or purchase of software intellectual property (IP).
- **Material Cost:** Costs for prototypes, pilot builds, etc.
- **Travel:** Expenses for team members to travel - meetings, trade-shows, etc.
- **Training:** What new tools should the team be trained on? What skills might you need to bring in training for, such as meeting management or testing techniques?
- **Other Equipment or Service Expenses:** Equipment rental, laboratory testing fees, etc.

Iterative Cost Estimating

Costs are estimated iteratively during planning to help with project trade-off decisions. It is a critical part of deciding the right "project balance" between scope, schedule and cost.

- *Early version:* Using top levels of WBS, capture high-level estimates, focusing on "big ticket" areas of labor, capital expenditure, etc. that could force decisions among design alternatives and project scope.
- *Later versions:* Add detail at lower levels of WBS to add detail on all individual elements of the project budget.

Administrative Information

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